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FM AMEMBASSY COLOMBO
TO SECSTATE WASHDC PRIORITY 9849
DEPT OF TREASURY WASHDC PRIORITY
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AMEMBASSY ISLAMABAD
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C O N F I D E N T I A L COLOMBO 000449

TREASURY FOR SUSAN CHUN
STATE FOR EEB/IFD BRIANA SAUNDERS AND SCA/INSB BINDI PATEL

E.O. 12958: DECL: 04/21/2019
TAGS: [ECON](#) [EFIN](#) [CE](#)
SUBJECT: IMF LOAN: CENTRAL BANK GOVERNOR ALLEGES U.S.
DESTABILIZATION OF CURRENCY

REF: A. COLOMBO 431
[1](#)B. COLOMBO 385
[1](#)C. COLOMBO 285
[1](#)D. COLOMBO 244

Classified By: Ambassador Robert O. Blake, Reasons 1.4(b)(d)

[1](#)1. (C) Central Bank Governor Nivard Cabraal called Ambassador on April 21, in advance of his departure for WB/IMF meetings in Washington, to complain that reports the U.S. will block Sri Lanka's IMF stand-by loan agreement (SBA) are destabilizing the Sri Lankan rupee and local markets. (Note: The rupee fell to 117.25 on April 20, and was trading at 120.15 early on April 21; by late afternoon it was back up to 118.50. End note.) Cabraal asked Ambassador to confirm the U.S. position on Sri Lanka's IMF request.

[1](#)2. (C) Ambassador responded that the U.S. has never suggested, publicly or privately, that we would block this loan. He noted that, in a private lunch in honor of visiting UNSYG Chief of Staff Vijay Nambiar hosted by Foreign Minister Bogollagama on April 17, he told the Minister of the great concern in the U.S. and other countries about the situation in the northern safe zone and the need for the GSL to allow time for a diplomatic attempt by the UN to persuade the LTTE to allow the civilians to leave. The Ambassador elaborated further for Cabraal, nothing that he cautioned Bogollagama that if the GSL did not give diplomacy a chance, it could expect mounting criticism from the international community. This criticism could then manifest itself through policy actions such as possible aid suspensions, closer scrutiny of the IMF loan, and other measures. Ambassador surmised for Cabraal that someone in the GSL might have leaked his comments to the National Freedom Front (NFF), which is currently engaged in demonstrating against alleged U.S. and Norwegian interference. Cabraal appreciated the clarification.

[1](#)3. (C) When asked if he would carry a signed letter of intent (LOI) to Washington, Cabraal admitted that he would not, stating that the document is still quote undergoing a few changes unquote. This tracks with information received from Tourism Minister Milinda Moragoda, who told Ambassador on April 20 that the President has yet to sign the LOI.

BLAKE